Week 4 Assignment

Due on 2019-08-09, 23:59 IST

1. A firm determines that its cost is calculated from management's estimates of efficient operation and the relevant necessary expenditure is given. 
   a. Cost of product
   b. Variable cost
   c. Fixed cost
   d. Opportunity cost

   Ans: All of the above are correct.

   2. What is the correct order of steps in standard costing? 
   a. Establish standard costs. 
   b. Control variance analysis. 
   c. Calculate variance. 
   d. Apply the standard cost. 

   Ans: The correct order is (a, d, c, b).

   3. Covariance analysis pays more emphasis on:
   a. Fixed cost volume variance
   b. Fixed overhead expenditure variance
   c. Variable cost volume variance
   d. Variable overhead expenditure variance

   Ans: The correct answer is (c).

   4. Which of these has not type of standard?
   a. Normal Standard
   b. Flexible Standard
   c. Cost Standard
   d. Standard Deviation

   Ans: The correct answer is (d).

Instructions for questions 5-6

Table 1

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales (in Rs)</th>
<th>Variable Costs (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>1000</td>
<td>300</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>1200</td>
<td>360</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>1500</td>
<td>450</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>1800</td>
<td>540</td>
</tr>
</tbody>
</table>

A single product company estimates its sales for the next quarter's wage rate. The details are given in Table 1.

The opening stocks of finished goods in 1500 units and the company expects to maintain the closing stocks of finished goods at 1500 units at the end of the year.

The production quantity in each quarter located at 60% of the sales in the current quarter and 20% of the total of the last two quarters.

The opening stock of raw materials for the beginning of the year is 1,000 kg, and the total stock at the end of the year is expected to be maintained at 1,500 kg. Both of fixed overheads should be incurred, and fixed overheads are expected to be incurred at Rs 6,000.

The production output is equal to the actual requirement of raw material in the fixed proportion and at the rate given in Table 2.

5. What is the production budget in units? 
   a. 2000 units
   b. 2500 units
   c. 3000 units
   d. 3500 units

   Ans: The correct answer is (c).

   6. What is the material consumption budget in quantity? 
   a. 3,000 units
   b. 4,000 units
   c. 5,000 units
   d. 6,000 units

   Ans: The correct answer is (a).

   Instructions for questions 9-11

Table 2

<table>
<thead>
<tr>
<th>Material Consumption (in kg)</th>
<th>Budgeted Rate (in Rs/kg)</th>
<th>Actual Rate (in Rs/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
<td>45</td>
</tr>
</tbody>
</table>

Necessary raw materials should be purchased 15% more than the requirement for the past records. For making chaos, a particular chemical for fabrication material requirement is given by the equation:

Y = 10 + 2X

During July, the material was produced, the actual consumption of materials given in Table 2.

8. Calculate material usage variance
   a. 5000
   b. 5500
   c. 6000
   d. 6500

   Ans: The correct answer is (b).

   9. What is the material price variance? 
   a. 1000
   b. 1500
   c. 2000
   d. 2500

   Ans: The correct answer is (b).

   10. Calculate material usage variance
   a. 1000
   b. 1500
   c. 2000
   d. 2500

   Ans: The correct answer is (b).

   11. Calculate material price variance
   a. 1000
   b. 1500
   c. 2000
   d. 2500

   Ans: The correct answer is (b).